

# City of Rockville Retirement Board

February 19, 2010

**PRESENT:** Gregory Hazlett, Citizen Representative acting as Chairperson; Anita McCombs, AAME Representative; Mark Pierzchala, Councilmember; and Carlos Vargas for the City Manager. Also in attendance were Gavin Cohen, Executive Secretary to the Board; Tim Peifer, Financial Systems Manager; Daisy Harley, Personnel Administrator; Debra Daniel, City Attorney; as well as Amy Heyel and Taylor Dabrowski, Segal Advisors.

**ABSENT:** Alex Espinosa, Chairperson; Cpl. Chris Peck, FOP Representative; Kyle France, Union Representative.

The meeting commenced at 10:00 a.m. with introductions.

## **I. Approval of Minutes January 22, 2010:**

Councilmember Pierzchala requested that on the third line from the bottom of page 1 of Item II the word experienced be changed to experience. Mr. Hazlett stated that his name was misspelled on page three, Item IV, last line. Councilmember Pierzchala moved to accept the minutes as per the changes. Mr. Vargas seconded. All were in favor.

## **II. Principal Financial Group Update:**

Mr. Cohen updated the Board that a notice went out to the employees from Principal regarding the closing of the GICS funds to new participants as of March 1, 2010. He stated that Segal worked with Principal before the notice was sent. Principal set up a call center for any questions the participant may have after receiving the notice. If it is fund advice that they want they will be referred to Principal. Other questions the City will handle. Mr. Cohen said he spoke to Ms. Mathis a number of times and still does not have an answer as to whether Principal will allow us to retain someone to audit the Benefit Index. Mr. Cohen will continue to speak to Principal regarding the audit until he receives an answer. Ms. Heyel stated with the GICS closing, it is a good time for Principal to talk to individuals about diversification. Mr. Cohen will provide an update at the next Board meeting.

## **III. Performance Review 4th Quarter End December 31, 2009:**

Ms. Heyel and Ms. Dabrowski discussed and reviewed the fourth quarter performance reports for the Defined Benefit and the Thrift Plans. Ms. Heyel started with the Defined Benefit. Equities were positive. Large Cap funds were better than Small Cap and Growth was better than Value. International Stocks were up 32%. Emerging markets were up almost 79% for the year. Fixed Income was either flat or negative for core product due to Treasuries. High yield bonds were up and there was some GDP growth due to consumer spending. As of December 31, 2009, the Defined Benefit assets were valued at \$49.8 million and were in compliance with the asset allocation policy. The 2009 calendar year return was 17.0%, which outpaced the Policy Index of 12.9%. In addition, they provided the Board with Due Diligence Memos on all the Investment Managers.

The Thrift Plan will not receive any further rebalancing for the rest of the year due to the vendor search. The plan contributions were up 3.6% for the quarter. Real Estate is a good long-term investment. It was just the wrong time for the Plan. Segal assured the Board that the funds are monitored regularly. Segal's goal is to meet annually with the performance managers. Mr. Hazlett asked if the Board could get a copy of the client notes. Ms. Heyel said it looks like people were more aggressive with investments throughout the year. She said there is still a great need for an employee education campaign. As of the end of 2009, the Thrift Plan assets were valued at \$15.3 million representing a net increase of approximately \$0.5million. At the last meeting, January 22, 2010, the Board decided to map new contributions in the GIC's to the Principal money market fund given the outstanding vendor search.

## **IV. RB Trust Performance Review 4th Quarter end December 31, 2009:**

Mr. Cohen informed the Board that this information will be provided every quarter. He told the Board that Segal is not contracted to monitor this on the Board's behalf. He asked if this format is acceptable for the Board? The Board decided this was an acceptable format each quarter.

## **V. Vendor Search RFP:**

Segal reviewed the Vendor Search RFP, Timeline and Matrix. The Board requested that Segal add the following asset classes to the RFP: Emerging Markets, REITS, Commodities (Sector Funds), and Non-US Small Cap. The Board decided to make some slight alterations to the Matrix. First, the Board wanted to incorporate an evaluation of the transition plan in the firm overview section and increase the weighting by 5% and subsequently reduce the weighting for investment management by 5%. Ms. Heyel noted that although investment management was an important part of the evaluation, the Board had the ability to make selection changes within the fund alliance offered by the Proposer. Ms. Heyel did mention that Segal would consider the amount and quality of funds available in the fund alliance program when ranking the organization section (since the investment management section was purely quantitatively driven by the performance ranking process.) The Board wanted to ensure that the finalist presentation and their view of the presentations were incorporated into the matrix and had a relevant weighting. They would like to add a second "tier" to the evaluation process to incorporate their vote in the selection of a new record-keeper. On March 5, 2010, Mr. Cohen is meeting with procurement and requested that someone from Segal Advisors meet with him around 10:00 a.m. to discuss the necessary additions to the RFP. Mr. Cohen acknowledged that this time frame would put the schedule back one to two weeks and informed the Board of this change to the tentative timeline to finalize the open bid process.

## **VI. Plan Amendment – De minimis Account Distribution:**

Mr. Cohen reported that this Amendment is purely administrative and recommended that the Board approve the changes to the Defined Benefit (DB) Plan, and Thrift Plan (Plans) language, to allow for automatic account distributions for De Minimis account balances of less than \$1,000. Councilmember Pierzchala moved to take this amendment change to the Mayor and Council. Mr. Hazlett seconded. All were in favor.

## **VII. Plan Amendment – Cost Sharing Supplemental Employee Contributions:**

Mr. Cohen explained that the Plan does not allow for Supplemental contributions for the Police. The recommendation to the Board is to add Police to the supplemental employee contribution program and to approve the language change for implementation from "calendar" year to "fiscal" year. Mr. Cohen requested that the Board make the recommendation to the Mayor and Council to accept these Amendments to the Plan in April with the others. Councilmember Pierzchala moved to recommend to the Mayor and Council to accept adding the Police to the supplemental contribution program of the Plan and change the language from calendar year to fiscal year. Mr. Vargas seconded. All were in favor. \*

\*No action will be taken on this item until fall based on discussions with the FOP.

## **VIII. Plan Amendment – Buyback of Service Credit:**

Mr. Cohen recommended opening a buyback service credit window beyond the one an individual is eligible for in the first year of employment. Councilmember Pierzchala asked if this window is ongoing? Mr. Cohen said that the window does not stay there permanently. He said if it is approved then he would go to Mr. Ullery and request opening a 30-day window. Ms. Daniels said that the Board would have to approve the window. Councilmember Pierzchala said he had no problem with it and would like to see the ability to do it. Councilmember Pierzchala motioned to make the recommendation to the Mayor and Council to approve opening a 30-day window for buy back service credit. Mr. Vargas seconded it. All were in favor.

## **IX, Discussion Options for Future Agendas:**

Councilmember Pierzchala said that he would like to visit the first bullet item, Board members liability coverage at the next meeting.

Meeting was adjourned at 12:10.